



# 2005 Minerals Yearbook

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BRUNEI

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# THE MINERAL INDUSTRY OF BRUNEI

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Negara Brunei Darussalam (Brunei) is located on the northwest end of Borneo Island, which has a common border with the Malaysian State of Sarawak in Southeast Asia. The country's land mass is about 5,270 square kilometers and its population was about 372,000 in 2005. Brunei is one of the highest per capita income countries in the Asia and the Pacific region owing mainly to its significant natural gas and oil resources. In addition to the natural gas and oil resources, Brunei also has small resources of coal, carbonate rocks, kaolin, sand and gravel, and silica sand.

Brunei's economic growth rate was 3.0% in 2005 compared with 1.7% in 2004. In 2005, the gross domestic product (GDP) increased to \$6.40 billion and the GDP per capita reached \$17,632 compared with \$5.69 billion and \$16,000, respectively, in 2004 (International Monetary Fund, 2006§<sup>1</sup>). Owing in part to high oil prices during the year, the natural gas and oil sector's share of the GDP increased to about 57%; the nonoil sectors accounted for 43% of the GDP, of which 15% was from the Government sector and 28% was from the private sector (BruneiDirect.com, 2006e§). The rate of inflation as measured by the consumer price index (CPI) rose by 1.1% 2005 compared with 0.9% in 2004. The higher rate in 2005 was mainly a reflection of the increase in transportation costs. The nonoil sector grew by 5.1% and the natural gas and oil sector contracted by about 1.4% in 2004 (BruneiDirect.com, 2006a§).

During the past few decades, the country's economic growth was stimulated mainly by Government mega projects and friendly investment incentives for foreign partners and investors. The Government planned to decrease economic dependence in the energy sector and to transform Brunei into a regional hub for services. The Government intended to develop the transportation and communication sectors, reform the financial system, and eliminate regulations that discourage foreign investment. The banking, finance, insurance, and pawn acts were expected to be amended. These changes would allow authorities to supervise financial institutions as in developed countries to ensure that their operations are based on international standards. The changes were aimed at enabling the private sector to be the engine of growth in the future. The Commonwealth Fund for Technical Cooperation provided financial and technical assistance to Brunei's Government to enact these reforms (BruneiDirect.com, 2006c§).

Butra Heidelberg Cement Sendirian Berhad, which was the only cement producer in Brunei, was a joint venture between a local company, "Butra," and HeidelbergCement Group of the Netherlands. Butra Heidelberg Cement had the capacity to produce 500,000 metric tons per year (t/yr) of specialty cement from imported clinker and gypsum at its cement grinding plant, which is located near Muara. The specialty cement is used

mainly by the oil well and sulfate resistance sectors. During the past few years, cement production at the plant averaged 250,000 t/yr, or about 50% of design capacity. Owing to the expansion of the construction sector, demand for cement has increased sharply during the past 2 years. The price of domestically produced cement increased to about \$180 per metric ton, which was much higher than the same kind of cement imported from Singapore, which cost between \$110 and \$120 per metric ton. To meet the demand, the Government decided to allow cement to be imported to Brunei again, mainly from China, Indonesia, Malaysia, and Thailand (BruneiDirect.com, 2006b§).

Because the natural gas and oil sector contributed more than 55% of the GDP and 90% of exports, sustained development of this sector was expected to drive future economic growth for Brunei. During the past 2 years, the output of the natural gas and oil sector continued its decline at a modest pace from its peak of 230,000 barrels per day (bbl/d) in 1979, to 201,738 bbl/d in 2004 and 193,504 bbl/d in 2005 (BruneiDirect.com, 2006d§).

The Petroleum Unit oversees the development of the natural gas and oil sector for the Brunei Government. Brunei Shell Petroleum Sdn. Bhd. (BSP), which was the main oil and gas production company in Brunei, was jointly owned by the Government and Royal Dutch/Shell Group of the Netherlands. Its refinery output capacity of 10,000 bbl/d was sufficient to meet the domestic demand for most oil products. In 2005, Indonesia accounted for 29% of Brunei's crude oil exports, followed by the Republic of Korea, 15.4%; Australia, 14.9%; Japan, 12.3%; the United States, 9.6%; China, 5.9%; Thailand, 4.9%; India, 4.4%; New Zealand, 2.3%; and Singapore, 1.3%. Natural gas was exported as liquefied natural gas mainly to Japan and the Republic of Korea (Petroleum Unit, 2006§).

Four offshore deepwater exploration activities were ongoing at the Brunei Exclusive Economic Zone. Block J was awarded to a three-member consortium that was headed by Total S.A. of France. A consortium that included ConocoPhillips Company, Mitsubishi Corp., and Shell Deepwater Borneo, a subsidiary of BSP, won the bid for Block K. Block L was awarded to the joint venture of Loon Energy Inc. and QAF Brunei Sdn. Bhd., and Block M was awarded to the joint venture of China Oil USA (Macao) Co. Ltd., Jana Corporation Sdn Bhd., and Valiant International Petroleum Ltd. (Petroleum Unit, 2006§).

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<sup>1</sup>References that include a section mark (§) are found in the Internet References Cited section.

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TABLE 1  
BRUNEI: PRODUCTION OF MINERAL COMMODITIES<sup>1</sup>

Commodity <sup>2</sup>	2001	2002	2003	2004 <sup>e</sup>	2005 <sup>e</sup>
Cement thousand metric tons	227	241	235	242 <sup>3</sup>	266 <sup>3</sup>
Gas, natural:					
Gross million cubic meters	11,687	11,790	12,702	13,000	13,500
Marketed do.	10,967	11,120	12,024	12,500	13,000
Petroleum:					
Crude <sup>4</sup> thousand 42-gallon barrels	71,199	72,000	75,642	72,500	70,000
Refinery products: do.					
Gasoline do.	1,647	1,646	1,717	1,750	1,780
Kerosene do.	579	616	634	650	660
Distillate fuel oil do.	1,112	1,109	1,195	1,200	1,220
Residual fuel oil do.	497	463	511	530	540
Other <sup>5</sup> do.	533	626	582	580	580
Total do.	4,368	4,460	4,639	4,710	4,780

<sup>e</sup>Estimated; estimated data are rounded to no more than three significant digits; may not add to totals shown.

<sup>1</sup>Table includes data available through August 30, 2006.

<sup>2</sup>In addition to the commodities listed, crude construction materials, such as sand and gravel and other varieties of stone, presumably are produced, but available information is inadequate to make reliable estimates of output levels.

<sup>3</sup>Reported figure.

<sup>4</sup>Includes condensate.

<sup>5</sup>Includes jet fuel, refinery fuel, and refinery losses.

Sources: Prime Minister's Department, Petroleum Unit and U.S. Geological Survey Minerals Questionnaire, 2002-06.